

H.R. 3965, the Mark-to-Market Extension Act and Enhancement Act of 2007

I want to thank Chairman Frank and Chairwoman Waters for their leadership on this bill.

We are here today to extend and enhance a program that works: A program that saves taxpayers money, reduces rents on tenants, and ensures the long-term viability of affordable housing properties.

The numbers speak louder than words – Mark-to-Market has resulted in nearly \$2 billion in net savings to taxpayers, reduced rent costs at over 2,700 properties by an estimated \$216 million per year, and completed debt-restructuring on over 1,400 properties.

By extending eligibility to the Mark-to-Market program to properties with at-or-below-market rents HUD preserves the long term viability of these properties. This bill raises the limit on high-cost restructurings, those with Exception Rents above 120% of Fair Market Rents. Currently, nationwide, only 5 percent of the properties in the program may have exception rents. This amendment raises the cap to up to 9% of the properties closed in any given year.

Exception Rents are essential for the preservation of certain properties, especially in rural and dense urban areas. The 5% was a best-guess when Mark-to-Market was first enacted in 1997 – 9% is a better reflection of HUD's experience in the marketplace.

This bill also extends from 3 to 5 years the period during which a community approved non-profit may purchase a Mark-to-Market property after the closing. Today, if an owner who closed a Mark-to-Market deal 4 years ago wants to sell to a non-profit it is not feasible; without the debt forgiveness or debt reassignment provided by HUD a non-profit simply can't take over the property. In many of these cases, the only option left to the owner is to allow the property to slowly decay – leaving the tenants the net losers.

Finally, an important addition to this bill addresses the late HAP (housing assistance payment) problem which was outlined in two GAO reports, and recently covered in a hearing before this committee. This bill holds HUD accountable for notification of late payments and payment of interest when they become delinquent.

I thank the Chairman again for moving this bill through the Committee and urge support of passage.